QUARTERLY BUSINESS SNAPSHOT*

Greenshoots taking root

25 February 2025

*The quarterly business snapshot uses Westpac Group's proprietary data to provide you with a timely picture on Australian businesses. Our report analyses the millions of daily transactions made by our business banking clients, unlocking a rich source of data on businesses nationwide.

Executive summary

Greenshoots taking root with businesses set to benefit from several tailwinds

The latest quarterly update confirms that businesses' cash positions are gradually firming with the Westpac Business Cashflow Gauge stabilising in the final quarter of 2024 at a level higher than during the first half of the year. The overall improvement over the past six months is consistent with our view that economic growth has passed its nadir. Encouragingly the share of SMEs experiencing improving cash flows rose for the first time in 18 months.

Overall, businesses' bank balance sheets continued to strengthen with deposits increasing sharply even as firms took a proactive approach to enhancing productivity through investment in automation and digital transformation projects.

There are also some tentative signals that businesses may be turning more confident about the economic recovery in the coming quarters. SMEs are increasing total worker hours, and in some cases adding to their headcount. There has also been a lift in working capital. Given the stabilisation in cash flows and a greater share of businesses reporting an improvement in cashflows, we see this as another early indicator that things are turning.

Across industries, nearly two thirds of industries saw cash flows increase in the final quarter of the year, a solid improvement from less than 50% in the previous quarter. The greatest gains were once again concentrated in services such as recreation and health.

That said, growth remains uneven, with the recovery bumpy and some pockets of stress are still evident. Some firms, especially in the SME space, are still struggling to pass through costs fully into selling prices, leading to a squeeze on margins.

There also remains considerable divergence in fortunes across the states. Cashflow conditions are back around pre pandemic levels in the mining states with conditions in NSW and Victoria lagging. Encouragingly, the latest report showed some green shoots of convergence as household spending is gradually lifting.

Looking ahead, we expect businesses to benefit from several tailwinds, with wage growth moderating and inflation tracking towards target. We also expect the RBA to follow up February's interest rate cut, reducing the policy rate to 3.35% by year end. This will have an impact on debt servicing costs and lift household spending and investment. Overall, GDP growth is forecast to be 2.2% this year, up from 1.3% last year.

Still, the cyclical recovery in demand is likely to be relatively modest and uneven and risks remain. Households may continue to prioritise saving over spending. The RBA's continued hawkish bias could slow the expected path in rate cuts ahead, while the upcoming Federal election poses two-sides risks.

Globally, trade tensions and policy uncertainty have risen. The direct effect on Australia from broader US trade tariff hikes is expected to be limited, given the minor share of exports to the US and the ability for these to be redirected. Nonetheless, Australia could still be impacted indirectly if global growth slows sharply.

Currency risks are also elevated. Heightened US policy uncertainty could trigger a sustained depreciation of the Australian dollar, adding inflationary pressures via higher import costs that could partly offset the disinflationary effect of lower global growth. For exporters and firms competing with imports, a weaker Australian dollar would enhance competitiveness against US firms, but less so against firms in other countries facing high US tariffs and seeking other markets for their production.

[1] Total revenues to expenses (excluding debt servicing payments). The ratio has been reindexed to Q1 2020.

Key outcomes for Q4:

- Westpac Business Cashflow Gauge steady, at higher level
- Share of SMEs with improving "cash flows"
- Two-thirds of industries saw "cashflow" conditions improve
- **–5.2%** Debt servicing costs

"Business cashflows are on the mend, with the Westpac Cashflow Gauge improving over H2 2024. Our proprietary data are showing early signs of renewed confidence and momentum should strengthen with upcoming tailwinds."

Cash flow insights:
Business cashflow conditions steady amid cost management gains

Pickup in cashflow gauge points to improving activity

After a solid gain in the previous quarter, the Westpac Business Cashflow Gauge, held steady in the December quarter (Chart 1), to be up 1.7% over the past six months, indicating that conditions improved, albeit gradually over H2 2024. In an environment of sluggish domestic demand, lower input costs and ongoing cost management have driven a 4% improvement in overall cashflow conditions since their 2022 lows. The inclusion of debt servcing payments paints a similar picture of a steady improvement in the cashflow gauge (Chart 2).

Both total revenues and expenses fell at a faster pace in Q4 2024, dominated by an easing in prices, a trend that has been evident since 2023. However, as in previous quarters, the cash flow gauge can increase even if revenue declines, if expenses fall by more.

Total expenses declined 1.1% in the quarter and have now fallen in nearly every quarter since 2023. The downward trend reflects a mix of lower input costs, associated with cooling prices, lacklustre demand requiring less purchases of goods, and ongoing cost management.

Costs of intermediate goods and services continued to fall, helped by lower import prices, particularly from China. However, these reductions appear to be plateauing, with much of the relief from supply chain normalization already behind.

Meanwhile, wages expenses recorded another quarterly gain. Indeed, SMEs appear to be adding to their headcount/worker hours, with wage expenses having risen faster than economy-wide measures of wages growth over the past six months. This, coupled with improvements in sentiment, provides some tentative signals that businesses may be turning more confident about the economic recovery in the coming quarters.

The decline in total revenues accelerated in Q4, with a 1.1% fall in the quarter. Total revenues now stand 4.4% lower than a year ago. The drop in revenues this quarter – and for much of the past two years – partly reflects the impact of cooling inflationary pressures. In addition, businesses, particularly SMEs, also continue to report that sluggish demand and increased competition, especially among consumer facing sectors, are leading to firms absorbing a larger share of costs at the expense of margins.

Chart 1: Westpac Cashflow Gauge (Income to expense)

Excl. Debt Servicing Payments, Contrib. to Annual % Change

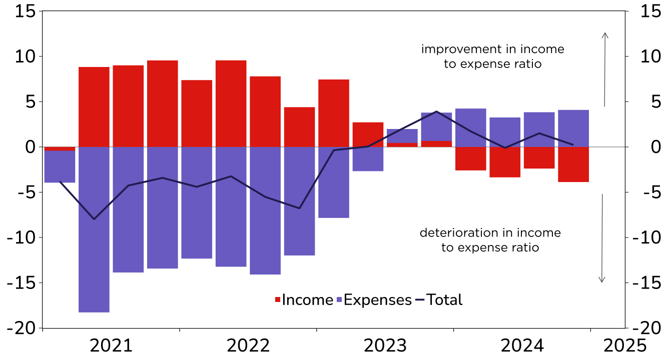
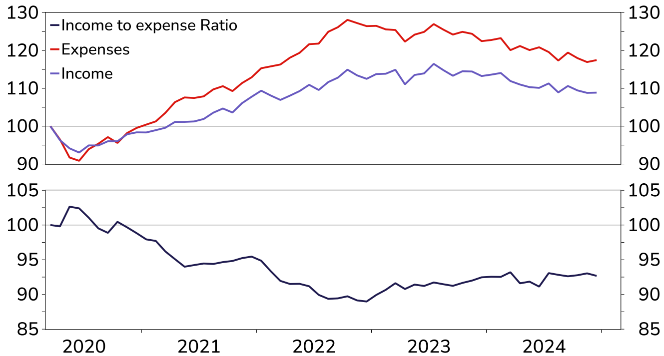


Chart 2: Business Cash Flow

Rolling 3-month Sum, Index March 2020 = 100



Key insights: Households are preferring saving over spending

Household consumption is showing signs of stabilisation, but households remain cautious after years of income pressure. Our Westpac-DataX Consumer Panel – which measures spending and savings flows covering over one million customers – found that the consumption response to Stage 3 tax cuts, while positive, has been muted. Households have shown a strong preference to save or reduce debt rather than spend, opting instead to save roughly 75% of the cumulative $830 income boost from tax cuts over Q3 and Q4. This is also corroborated by large inflows into savings and offset accounts and sizeable contributions to mortgage repayments in the December quarter.

Households have also become increasingly price sensitive, limiting business's ability to raise prices. This caution has extended into 2025 with the Westpac-Melbourne Institute Consumer Sentiment Index and our DataX card tracker indicating that household views around current finances remains subdued. This is likely to continue to be holding back the extent of recovery in discretionary goods revenues in consumer facing firms.

Balance sheet insights: Financial strength continues to be well above pre pandemic

Businesses using more working capital as activity picks up

Business balance sheets continued to strengthen in Q4. Business deposits increased 2.6% over the December quarter to be up 7.8% in annual terms – the strongest recorded increase since the pandemic. The liquidity boost was broad-based. Commercial businesses recorded a 2.6%qtr increase and SMEs experienced a similarly solid lift of 2.4%qtr. It appears businesses are looking to build liquidity while also using their balance sheets to invest.

Indeed, businesses made further use of their financial firepower during the December quarter 2024. Credit growth picked up to 3.6%qtr in December, from the 3.1%qtr recorded over the September quarter. Growth was strong in the health, education, and utilities industries.

A notable lift was recorded in the use of working capital by commercial businesses (Chart 3). An increase in working capital can be a sign of cashflow stress if businesses are using short term funding facilities to meet recurrent spending. But it can also be an important source of credit if it used to fund increased activity. Given the stabilisation in cash flows and a greater share of Commercial and SMEs reporting an improvement in cashflows, we see this as another early indicator that things are turning, and activity is picking up.

Both sets of businesses still have significant headroom in their credit lines, even after this increase in credit, with credit utilisation around pre pandemic levels in the commercial space and slightly above pre pandemic levels for SMEs.

Overall, the Westpac business debt coverage gauge eased around 0.9% over the December quarter to be 4.4% lower in annual terms (Chart 4). However, the experience was not uniform across industries.

Those industries providing essential services to the growing population, including education, construction and property services saw an improvement in the gauge. Notably while credit and investment grew, this was more than offset by increases in liquid assets, most notably deposits.

Our debt coverage gauge assesses the stock of cash relative to businesses' financial liabilities.

Chart 3: Commercial business debt by type

Index March 2020 = 100

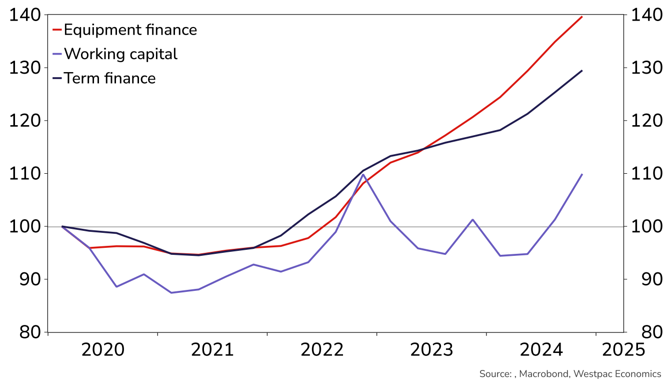
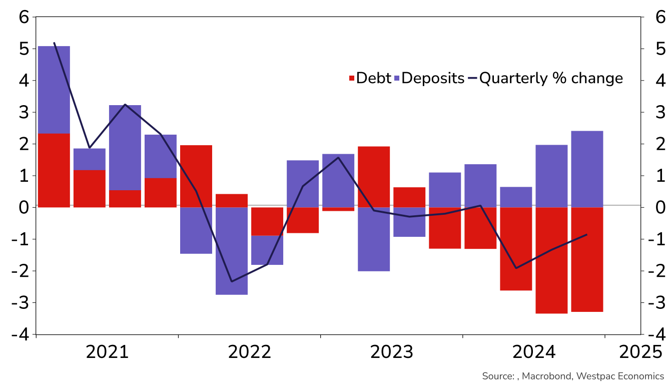


Chart 4: Business debt coverage gauge

Contribution to annual quarterly change



Key insight: Focus on cost efficiency and productivity gains

Despite a lacklustre economic backdrop, firms continue to invest, focusing on building resilience in supply chains in the face of elevated geopolitical risks and improving cost efficiency. This is consistent with the strong growth we have seen in equipment and term financing over the past year and a half.

Feedback from clients point to a greater focus on technology, R&D and automation to improve efficiency. This is consistent with ABS data which showed that businesses are now investing more in intangibles (such as software and R&D) than in more traditional forms of capital items such as new commercial buildings.

As new technology flows through business processes, businesses will become more efficient, further helping to contain costs. Investment in automation and digital transformation projects such as AI, cloud migration and e-commerce will also help boost aggregate productivity across the economy, although likely with a lag and there remains some uncertainty over the size of that increase. Rising productivity means Australia can produce more with what we have, reducing price pressures, improving purchasing power and ultimately real incomes.

A look under the 'aggregates': Early signs of a broad-based improvement in cashflow conditions

More SMEs are seeing "cashflows" improving

Aggregates are useful during normal times. However, micro-level analysis can provide greater insights around the turning points of a business cycle. This includes assessing the sustainability of a recovery and identifying pockets of strength and weakness. Such insights serve as an early indicator of future changes to the overall outcome.

Encouragingly, in the final quarter of 2024, the share of SMEs experiencing improving cashflow (including debt servicing payments) increased for the first time in 18 months. This suggests that cashflow conditions have likely passed the nadir and that the improvement we continue to see in the commercial space could be broadening.

Commercial businesses continued to show resilience. The share of businesses recording an increase in "cashflows" has now grown in every quarter since Q2 2022, showing that these businesses have managed to effectively weather the economic headwinds.

That said, there remain pockets of cashflow stress in the SME space as they have in general had less scope to pass on higher costs to final consumers. In contrast, the share of commercial businesses experiencing cashflow stress remains low in line with reads in previous quarters.

Chart 5: Share of businesses with improving cash flow

Percentage point deviation from average, Rolling 6-month average

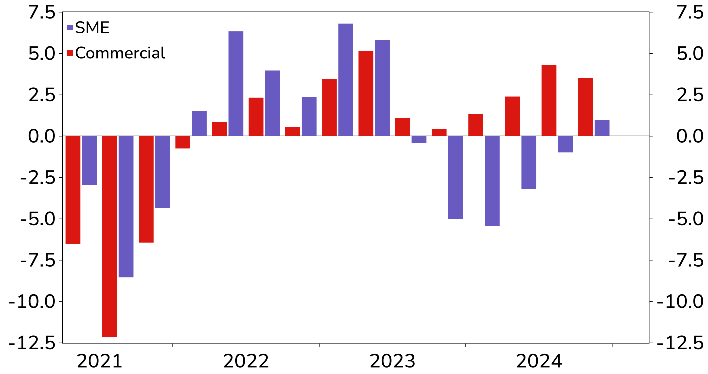
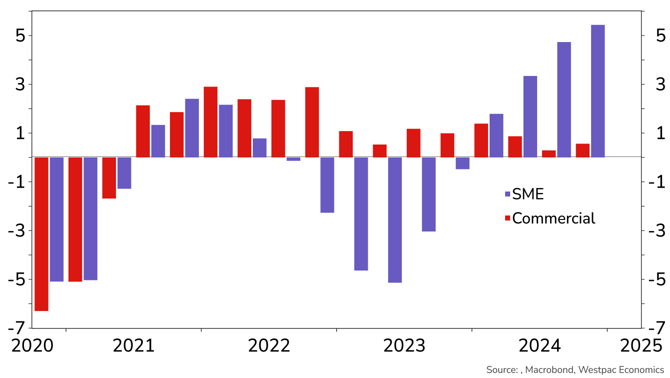


Chart 6: Share of cash flow constrained businesses

Percentage point deviation from average, Rolling 12-month average



Business size definition:

SME businesses are those with annual aggregated turnover of less than $5m.

Commercial businesses are those with annual aggregated turnover between $5m and $50m.

Industry insights: Businesses in the services sector continue to outperform

More industries are experiencing an improvement in "cash flows"

Drilling down to the industries, Westpac's Industry Cashflow Gauge (including debt servicing payments) improved across eight out of 14 industries, up from 6 previously (Appendix 1).

The largest gains in the quarter were recorded in the service sectors including recreation, health care and personal and business services; retail and wholesale trade also showed modest gains (Chart 8). Meanwhile, conditions softened in the education and accommodation & hospitality sector amid tighter policy around student visas and households continuing to favour lower cost options for dining and travel.

In the December quarter, revenues declined in 9 out of the 14 industries, the same as in the previous quarter. Weakness was centred in the goods producing and selling side of the economy such as retail, wholesale, and manufacturing where businesses are reporting margins have been squeezed. Most industries continued to record a sharper fall in expenses than revenues with pronounced falls in agriculture and health as lower intermediate costs (-1.7%yr and -7.7%yr, respectively) more than offset higher wage and debt servicing costs.

Similarly, those industries that are relatively more labour intensive such as construction and consumer facing retail trade and accommodation also saw expenses fall despite the higher wage bill, with the latter experiencing a fall in debt servicing costs following a rundown in debt.

The share of businesses recording improved cashflow rose across all of the broader industry aggregates with the non-market sector (health, education and social assistance industries) leading the way. Cash-flow conditions in the construction industry remain challenging but have improved over the past two quarters. Indeed, the share of businesses in construction experiencing cashflow difficulties peaked in the March quarter 2024 and has since trended lower.

Chart 7: Westpac Industry Cashflow Gauge (including debt servicing)

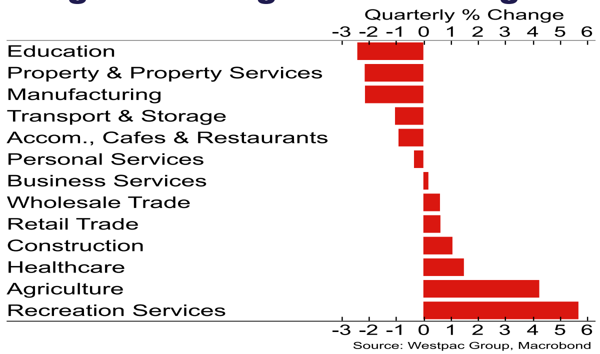
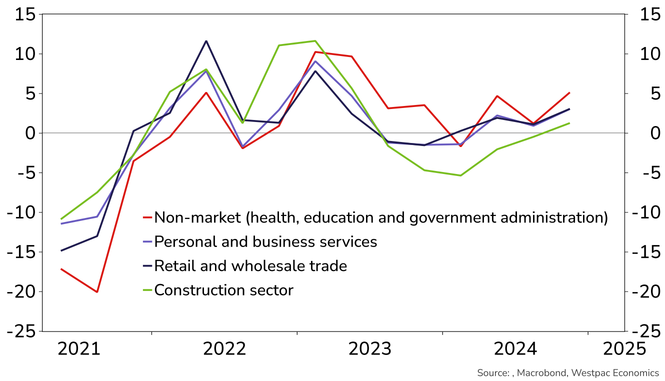


Chart 8: Share of businesses with improving 'cash flow'

Percentage point deviation from average



Key insight: Headwinds facing construction are waning

The construction sector faced a severely challenging environment in the aftermath of the pandemic. Labour shortages, high costs and regulatory hurdles led to insolvencies and project delays. Structural factors including a long-term trend decline in productivity have also weighed on the industry.

Despite these obstacles, there have been some positive developments in H2 2024. Materials costs, while still significantly above pre-pandemic levels, have stabilised and cash flow conditions improved for the second consecutive quarter, returning to pre-Covid levels – a feat not experienced in most industries. Balance sheets also strengthened significantly, with a pick-up in credit in the December quarter offset by even stronger growth in deposits.

That said, as demand is still weak, especially outside of government infrastructure investment, the overall improvement in the sector's cash flow position has been largely driven by sharp reduction in expenses and cost saving measures; margins remain squeezed. We expect a gradual uptick in construction activity this year, however State government fiscal positions raise the risk of delays or cancellations.

A look from coast to coast: Gap in regional economies shrinks as cashflow conditions start to converge

Mining states remaining resilient with non-mining states catching up

The Business' Cashflow gauge, or "cashflows" conditions across the states remain uneven. Mining states have shown considerable resilience relative to those in the non-mining states. This is consistent with our research which shows that WA is leading the pack on key economic metrics including growth in state demand, retail trade, labour market conditions and fiscal outcomes. On these metrics, mining state Queensland is a distant second.

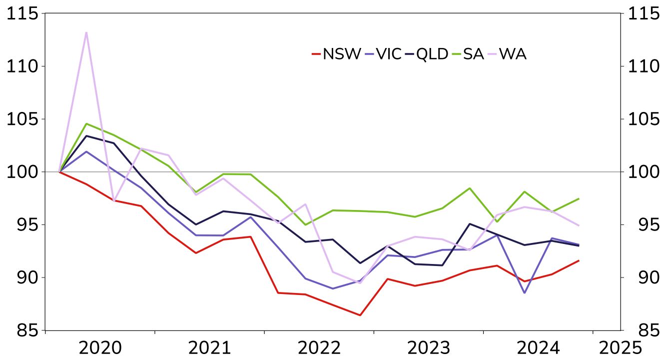
Encouragingly, the micro data is signalling some green shoots that conditions are starting to gradually converge (Chart 9). In NSW, cashflow conditions improved by 1.5%qtr in the December quarter to be 1.3% higher in annual terms. In Victoria, cashflow conditions retraced some of the previous quarter's increase, falling by around 1.4%qtr, but remained an encouraging 0.6% higher in annual terms.

WA was the only other state to record an annual improvement in "cashflow" conditions (+2.6%yr) in the December quarter (Chart 10). On the other hand, SA (–2.0%yr) and QLD (–2.4%yr), which had been ahead of the pack, saw their conditions ease over 2024.

The share of businesses experiencing improving cashflow continued to grow in the mining states, such as Queensland, but we also saw some stabilisation in the non-mining states (Chart 11). This share ticked higher in Victoria and stabilised in NSW. In addition, the number and share of businesses experiencing cashflow difficulties fell in both the mining states and the non-mining states. The gradual lift in household spending and retail trade is providing a tailwind for cashflow conditions in these consumer-led states (Chart 12).

Chart 9: Income to Expense Ratio by State

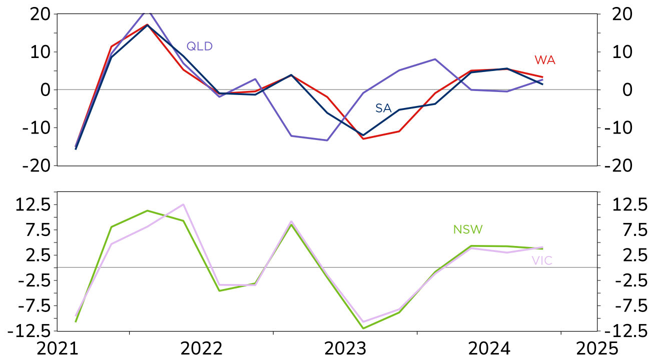
Excluding Debt Servicing Payments, Index March 2020 = 100



Source: , Macrobond, Westpac Economics

Chart 11: Share of businesses growing cash flow

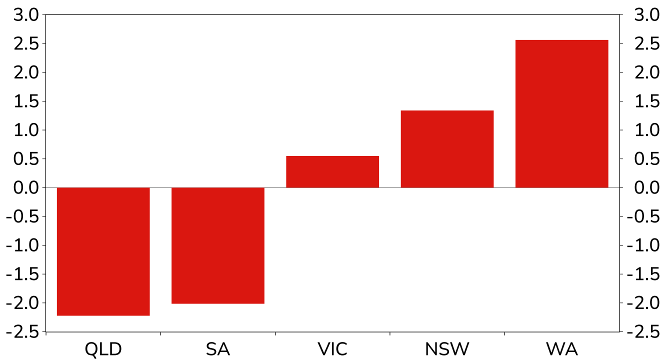
Rolling 12-month percentage point change



Source: , Macrobond, Westpac Economics

Chart 10: Income to Expense Ratio by State

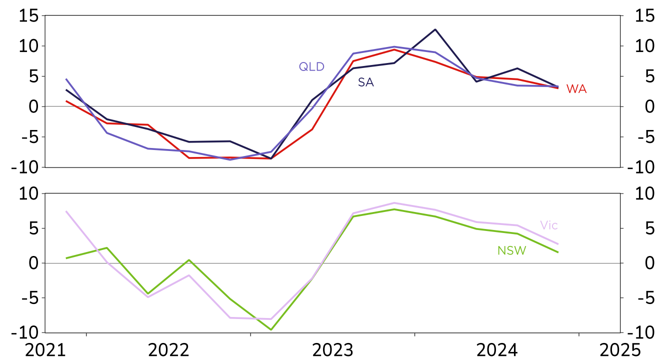
Including Debt Servicing Payments, Annual % Change



Source: Macrobond, Westpac Economics

Chart 12: Share of cash flow constrained businesses

Rolling 12-month percentage point change



Source: , Macrobond, Westpac Economics

Outlook and risks
Headwinds turning to tailwinds but risk remain

Prospects brightening but recovery likely to be subdued and uneven

Business “cashflow” positions are gradually firming and the overall improvement over the past six months is consistent with our view that economic growth has passed its nadir. Looking ahead, we expect businesses to benefit from several tailwinds. Cost pressures are expected to ease further with wage growth projected to moderate further, with underlying inflation to ease to around target.

Our disinflation view means that we expect the RBA to follow up February’s first interest rate cut since 2020 with three further rate cuts bringing the policy rate to 3.35% by end-year. This will have an immediate impact on debt servicing costs for both small and larger businesses: more than 70% of SMEs’ borrowings and closer to 90% of commercial businesses’ borrowings are variable-rate debt[2].

RBA rate cuts and improving inflation conditions will also support an uplift in household spending, with business and dwelling investment also set to increase. This paints a brighter picture for the goods related consumer and business sectors and construction in the year ahead. Overall, GDP growth is expected to improve over 2025 lifting to 2.2% from an expected 1.3% last year (Appendix 2).

Still, the cyclical recovery in demand is likely to be relatively modest and possibly uneven. Indeed, the path forward depends on how smoothly the transition from public to private-led expansion unfolds.

Key 2025 economic forecasts

- ▲ **2.2%** GDP
- ▲ **4.5%** Unemployment rate
- ▼ **3.35%** Cash rate (end-year)
- ▼ **2.4%** Trimmed mean CPI
- ▼ **2.9%** Wage growth

Increased US trade protectionism is the main source of external uncertainty

There remains considerable uncertainty around the outlook. Domestically, a key driver behind the improved prospects is for household spending to improve. Yet, households have shown a strong preference to save or reduce debt rather than spend. This could prove more ingrained than we expect. In light of the RBA’s continued hawkish bias in its communications, near term risks to our forecast are also tilted to a slower path. Meanwhile the upcoming Federal election poses two-sided risks.

While not directly in President Trump’s crosshairs, Australia has been swept up in the administration’s broader tariff announcements, including hikes on specific goods such as aluminium and steel products and global reciprocal tariffs. It is uncertain as to what will come to pass but overall, the direct impact on Australia is expected to be small given the minor share of exports to the US and the ability for these to be redirected. The indirect impacts could pose a greater risk, particularly if global growth slows significantly, though this is not our base case.

Policy uncertainty is also likely to remain high under the new US administration. This generally produces a ‘risk off’ tone in markets, resulting in broad US dollar strength. A large and sustained depreciation in the Australian dollar (AUD) can add to domestic inflationary pressures via higher import prices. This is particularly relevant for sub-industries such as machinery & equipment and petroleum, coal & chemicals, which have a high share of imported intermediate goods. For exporters, a weaker AUD would improve competitiveness, but this would only partly offset the negative impact on their earnings.

[2] Calculated from RBA data.

Appendix 1: Major indicators by industry, annual % change

	Income				Expenses				Income to Expense Ratio			
	2024	2023	2022	2021	2024	2023	2022	2021	2024	2023	2022	2021
By Industry												
Accommodation Cafes & Restaurants	–3.9	–1.9	12.8	10.7	–0.8	–5.5	30.8	10.6	–3.1	3.6	–18.0	0.1
Agriculture	–2.9	4.7	–7.1	9.7	–2.4	0.1	3.3	13.9	–0.5	4.7	–10.3	–4.1
Business Services	–5.5	1.2	6.1	12.4	–3.4	–4.7	13.1	15.5	–2.1	5.8	–7.0	–3.1
Recreation Services	–1.4	–2.9	–1.5	32.8	–3.2	–13.9	22.9	35.7	1.8	11.0	–24.4	–2.9
Education	–1.1	12.9	8.4	6.4	1.5	11.0	13.3	10.0	–2.6	1.8	–4.8	–3.7
Healthcare	–2.8	5.1	5.5	5.2	–3.8	2.4	11.8	10.4	1.0	2.7	–6.4	–5.2
Manufacturing	–3.3	1.0	4.8	7.0	–3.5	–1.8	10.4	8.0	0.2	2.8	–5.6	–1.0
Personal Services	4.8	0.8	9.4	8.5	0.6	3.1	17.0	9.0	4.2	–2.4	–7.6	–0.5
Retail Trade	–5.2	–2.4	6.5	0.3	–5.0	–5.5	11.4	5.0	–0.3	3.2	–4.8	–4.7
Transport & Storage	–0.1	–1.4	18.7	11.7	0.1	–3.7	23.4	21.5	–0.2	2.3	–4.7	–9.8
Wholesale Trade	–9.0	–5.4	–1.4	7.3	–9.9	–8.0	1.4	9.5	0.9	2.6	–2.8	–2.2
Construction	–3.1	3.6	12.7	8.4	–4.6	0.4	15.9	13.3	1.5	3.2	–3.2	–4.9
Property & Property Services	–5.0	2.5	–0.6	12.7	–4.0	–3.0	6.7	25.7	–0.9	5.6	–7.3	–13.0
By State												
NSW/ACT	–3.7	1.1	1.7	7.2	–4.7	–3.7	10.5	10.5	1.0	4.7	–8.8	–3.3
VIC/TAS	–5.6	–0.2	6.8	11.7	–6.1	–3.4	13.9	14.9	0.5	3.2	–7.2	–3.2
QLD	–4.4	1.5	6.6	9.3	–2.2	–2.5	12.1	13.5	–2.1	4.0	–5.4	–4.1
SA/NT	–4.5	2.6	6.5	10.3	–3.6	0.4	10.3	12.9	–1.0	2.3	–3.8	–2.6
WA	0.8	–1.2	2.8	12.9	–1.6	–4.5	11.8	18.6	2.5	3.3	–9.0	–5.7

*year to date percentage change

Appendix 2: Australian economic forecasts

Activity forecasts*

	2024				2025				Calendar years			
%qtr / %yr avg	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Private consumption	0.6	–0.3	0	0.7	0.5	0.5	0.5	0.5	1.1	1	1.9	2.4
Dwelling investment	1	0.7	1.2	0.8	1.1	1.1	1.2	1.2	–2.6	3.6	4.6	6.5
Business investment *	0.1	0.2	–0.2	0.7	0.7	0.8	0.9	0.9	8.7	0.7	3.4	5.1
Private demand *	0.5	0	0.1	0.7	0.6	0.6	0.6	0.6	2.1	1.2	2.4	3.4
Public demand *	0.8	0.8	2.2	0.7	0.8	0.7	0.9	0.7	4.1	4.7	3	2.4
Domestic demand	0.6	0.2	0.7	0.7	0.6	0.6	0.7	0.7	2.7	2.2	2.6	3.1
Stock contribution	0.7	–0.3	–0.4	0.1	0	0	0	0	–1.0	0.1	0	0.2
GNE	1.3	–0.1	0.2	0.8	0.6	0.6	0.7	0.7	1.6	2.3	2.6	3.3
Exports	0.1	0.6	0.2	0.4	0.6	0.6	0.5	0.6	3.7	1.3	2.3	1.7
Imports	5.6	0.2	–0.3	1	1	1	1.1	1.1	5.7	6.6	4.3	6
Net exports contribution	–1.3	0.1	0.1	–0.1	–0.1	–0.1	–0.1	–0.1	–0.3	–1.1	–0.4	–1.0
Real GDP %qtr / yr avg	0.2	0.2	0.3	0.7	0.5	0.5	0.5	0.6	2.1	1.1	2	2.2
%yr end	1.1	1	0.8	1.3	1.7	2	2.3	2.2	1.5	1.3	2.2	2.2
Nominal GDP %qtr	1.3	0.2	0.4	2.3	0.6	0.9	0.7	0.9	–	–	–	–
%yr end	3.8	4.4	3.5	4.2	3.6	4.3	4.6	3.2	4.3	4.2	3.2	3.1

Other macroeconomic variables

	2024				2025				Calendar years			
% change	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Employment (2)	0.4	0.6	0.9	0.7	0.6	0.1	0.1	0.1	–	–	–	–
%yr	2.6	2.2	2.7	2.7	2.9	2.3	1.4	0.8	3.0	2.6	0.3	1.8
Unemployment rate % (2)	3.9	4.1	4.1	4.0	4.1	4.2	4.4	4.5	3.9	4.0	4.5	4.5
Wages (WPI) (sa) (2)	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	–	–	–	–
annual chg	4.1	4.1	3.5	3.2	3.1	3.0	2.9	2.9	4.3	3.2	2.9	3.3
CPI Headline (2)	1.0	1.0	0.2	0.2	0.5	0.7	0.9	0.8	–	–	–	–
annual chg	3.6	3.8	2.8	2.4	2.0	1.7	2.4	2.9	4.1	2.4	2.9	2.7
Trimmed mean	1.0	0.9	0.8	0.5	0.5	0.6	0.7	0.7	–	–	–	–
annual chg	4.0	4.0	3.6	3.2	2.7	2.4	2.3	2.4	4.2	3.2	2.4	2.5
Current account $bn	–10.4	–16.4	–14.1	–7.1	–5.5	–4.5	–5.8	–5.9	–	–	–	–
% of GDP	–1.5	–2.4	–2.1	–1.0	–0.8	–0.6	–0.8	–0.8	–0.3	–1.8	–0.8	–1.8
Terms of trade annual chg (1)	–8.2	–6.3	–4.8	–4.5	–3.2	–1.7	0.2	1.0	–6.2	–4.5	1.0	–2.5

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Calendar year changes are (1) period average for GDP, current account and terms of trade, unless otherwise stated (2) through the year for inflation, wages and employment. Unemployment is year end.
* GDP & component forecasts are reviewed following the release of quarterly national accounts.
** Business investment and government spending adjusted to exclude the effect of private sector purchases of public sector assets.

About the report

The quarterly business snapshot uses aggregated and de–identified data from our SME and Commercial business bank customers. Westpac Institutional Bank customers are not included in the scope of this report. This data provides a timely read on aggregate business conditions and the economic trends impacting small and medium businesses (including SME and Commercial businesses), providing our clients with insights to help them grow and prosper.

Turnover is derived by summing inflows paid to the accounts of the Group's business customers. Inflows related to transfers within business groups or capital transactions are excluded. Expense data is derived by summing outflows from the accounts of our business customers. Outflows related to transfers within business groups, capital transactions and outflows direct to any lending facility are excluded from the analysis. Debt servicing cost data is derived by summing the outflows from the accounts of our business customers for servicing any financing facilities or loans. It captures both interest and principal payments as applicable. Sample is adjusted where possible for changes in customer numbers. Therefore, the reported aggregates reflect the experience of the typical or average small and medium business in Australia, as opposed to changes in customer numbers. Due to data limitations, there are differences in sample groups between business cash flow data (i.e. income and expenses) and financial stock data (i.e. cash, debt, financial position). We have tried to control for these sample variations where possible.

SME businesses are those with annual turnover of less than $5m. Commercial businesses are those with annual turnover between $5m and $50m.

Individual series are seasonally adjusted. All data is presented using rolling three month moving averages to smooth volatility related to the flows of income, expenses, debt servicing costs and financial stocks. Given the limited length of the time series available and volatile economic landscape over the past few years, seasonal factors are subject to change – however, different robustness methods are used to help ensure that any changes going forward are small.

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